

Message Text

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SUBJECT: EC ENERGY POLICY: PROSPECTS FOR MAY 30 ENERGY
-- COUNCIL MEETING

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1. INTRODUCTION AND SUMMARY: ALTHOUGH DANISH AMBASSADOR
RIBERHOLDT CONTINUES TO BE REASONABLY OPTIMISTIC REGARDING
A POSSIBLE ADVANCEMENT OF EC ENERGY POLICY DURING THE
DANISH PRESIDENCY WHICH ENDS ON JUNE 30, MOST MEMBER
STATE AND COMMISSION OBSERVERS DOUBT THAT THE EC ENERGY
MINISTERS WILL APPROVE MANY, IF ANY, MEASURES AT THEIR
MAY 30 COUNCIL MEETING. SOME OBSERVERS BELIEVE THAT THERE
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IS LESS CHANCE OF REACHING AGREEMENT ON MAY 30 THAN THERE
WAS IN MARCH, LARGELY BECAUSE OF A TOUGHENING OF THE
GERMAN POSITION REGARDING EXTENSION OF FINANCIAL SUPPORT
FOR ENERGY MEASURES AND NEW DEMANDS BY GERMANY AND ITALY
ON COAL AND PETROLEUM MEASURES, RESPECTIVELY. RIBERHOLDT
IN CONTRAST, HOWEVER, TOLD THE AMBASSADOR THAT A DEAL IS
PROBABLE REGARDING THE STEAM COAL SUBSIDY AND PETROLEUM

REFINERY PROPOSALS IN THE DANISH "BALANCED INTEREST PACKAGE". EC DIRECTOR GENERAL FOR ENERGY WILLIAMS IN HIS ANALYSIS FOR EC COMMISSIONER BRUNNER SAID THAT, AT BEST, THE MOST THAT COULD BE EXPECTED FROM THE MAY 30 COUNCIL MEETING WOULD BE A SERIOUS DISCUSSION OF THE VARIOUS ISSUES WHICH MIGHT LAY THE BASIS FOR APPROVAL OF SOME MEASURES AT THE NEXT ENERGY COUNCIL IN OCTOBER 1978. MOST MEMBER STATE OBSERVERS AGREE WITH THIS ASSESSMENT, ALTHOUGH SOME HOPE THAT THE COUNCIL RESOLUTION ON COMMUNITY ENERGY OBJECTIVES FOR 1985 (WHICH IS NOT PART OF THE DANISH PACKAGE) MIGHT BE APPROVED IN ORDER TO DEMONSTRATE SOME PROGRESS BY THE COMMUNITY IN THE ENERGY FIELD PRIOR TO THE BREMEN AND THE BONN SUMMITS LATER THIS YEAR. END SUMMARY.

2. SPECIFIC ITEMS ON THE AGENDA ARE AS FOLLOWS:

A. DANISH BALANCED INTEREST PACKAGE:

(1) SUBSIDY FOR INTRA-COMMUNITY TRADE IN STEAM COAL: ITALY IS STRONGLY OPPOSED TO THE PROPOSAL TO GRANT A 10-UNITS OF ACCOUNT SUBSIDY PER TON FOR A MAXIMUM OF 10 MILLION TONS PER YEAR OF COMMUNITY STEAM COAL EXPORTED TO OTHER MEMBER STATES OVER A 3-YEAR PERIOD UNLESS THE COMMISSION'S PROPOSAL TO ALLEVIATE PETROLEUM REFINERY PROBLEMS IN THE COMMUNITY IS ALSO ENDORSED. GERMANY, WHICH HAD EARLIER WEAKLY SUPPORTED THIS MEASURE (WHICH LIMITED OFFICIAL USE

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WILL PRIMARILY BENEFIT BRITISH COAL BY MAKING IT COMPETITIVE ON THE EUROPEAN MARKET) NOW OPPOSES IT UNLESS IT IS ACCOMPANIED BY SOME ASSISTANCE FOR COKING COAL EXPORTS. GERMANY HAS LITTLE TO GAIN FROM A STEAM COAL SUBSIDY SINCE THE LEVEL OF SUBSIDY IS STILL NOT ADEQUATE TO MAKE HIGH-COST GERMAN COAL COMPETITIVE WITH IMPORTS FROM OUTSIDE THE COMMUNITY, WHILE GERMANY MAY HAVE TO BEAR A LARGE PROPORTION OF THE TOTAL BUDGETARY COST OF THE MEASURE. IN DISCUSSING THIS ITEM IN THE COUNCIL, THE COMMISSION INTENDS TO RELATE IT TO THE EARLIER COMMISSION PROPOSAL TO PROVIDE FINANCIAL AIDS FOR THE CONVERSION OF OIL-BURNING THERMAL POWER STATIONS TO COAL. WHILE THE COAL-BURN MEASURE IS CLEARLY RELATED TO THE PROPOSAL TO SUBSIDIZE INTRA-COMMUNITY STEAM COAL EXPORTS, THE BRITISH AS WELL AS COMMISSION OFFICIALS, FELT THAT INCLUDING IT AS A FORMAL PART OF THE DANISH PACKAGE WOULD APPEAR TO BE UNBALANCING THE PACKAGE EXCESSIVELY IN FAVOR OF COAL PRODUCERS AT THE EXPENSE OF ITALY AND OTHER MEMBER STATES. (2) IMPROVEMENT OF THE PETROLEUM REFINERY SITUATION IN THE COMMUNITY: THE COUNCIL IS ASKED TO APPROVE A "SET OF CONCLUSIONS" REGARDING THE PRINCIPLES AND PROCEDURES OF A COMMUNITY APPROACH TO THE PETROLEUM REFINING SECTOR

WHICH ARE INTENDED TO ENCOURAGE THE CLOSURE OF SURPLUS REFINERY CAPACITY, LIMIT THE CONSTRUCTION OF NEW DISTILLATION UNITS UNTIL 1982, ORGANIZE CONSULTATIONS WITH OIL COMPANIES AND TRADE UNIONS REGARDING REFINERY ACTIVITY, AND ESTABLISH AN AD HOC GROUP TO STUDY POSSIBLE MEASURES RELEVANT TO PETROLEUM PRODUCT IMPORTS. APPROVAL OF THIS MEASURE ON MAY 30 SEEMS DOUBTFUL BECAUSE OF SHARP DIFFERENCES BETWEEN MEMBER STATES ON VARIOUS ASPECTS OF THE PROPOSED MEASURE. FOR ONE THING, THE ITALIANS BELIEVE THAT IT DOES NOT GO FAR ENOUGH, WHILE THE UK AND TO A LESSER EXTENT GERMANY, THINK IT GOES TOO FAR IN REGIMENT-

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ING THE OIL REFINERY INDUSTRY IN THE COMMUNITY. SEVERAL MEMBER STATES BELIEVE THAT THE OIL INDUSTRY IS CAPABLE OF RESOLVING ITS OWN PROBLEMS WITHOUT THE DEGREE OF COMMUNITY INTERFERENCE CALLED FOR IN THE COMMISSION'S PROPOSAL. (PROSPECTS FOR THE MEASURE ARE REPORTED IN GREATER DETAIL IN SEPTEL.)
(3) FINANCIAL AID FOR ENERGY SAVING DEMONSTRATION PROJECTS: WHILE SOME MEMBER STATES BELIEVE THAT THE PROPOSAL TO SPEND 150 MILLION UNITS OF ACCOUNT OVER FOUR YEARS FOR THESE PROJECTS MAY BE EXCESSIVE AND HAVE RESERVATIONS REGARDING IMPLEMENTATION OF THE PROGRAM, MOST COULD ACCEPT THIS PROPOSAL. GERMANY, HOWEVER, HAS RECENTLY STRENGTHENED ITS OPPOSITION, LARGELY, IT IS UNDERSTOOD, BECAUSE OF A DOMESTIC DIFFERENCE BETWEEN THE

MINISTRY OF RESEARCH AND TECHNOLOGY (OUT OF WHOSE BUDGET THE GERMAN CONTRIBUTION WOULD HAVE TO COME) AND THE MINISTRY OF ECONOMY.

(4) FINANCIAL SUPPORT FOR PROJECTS TO DEVELOP ALTERNATIVE ENERGY SOURCES: THIS PROPOSAL INCLUDES A FRAMEWORK LIMITED OFFICIAL USE

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REGULATION REGARDING FINANCIAL GRANTS FOR DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES AND TWO IMPLEMENTING REGULATIONS TO PROVIDE A MAXIMUM OF 80 MILLION UNITS OF ACCOUNT FOR GEOTHERMAL PROJECTS AND 100 MILLION UNITS OF ACCOUNT FOR SOLID FUEL LIQUIFICATION AND GASIFICATION. WHILE-- AS IN THE CASE OF THE DEMONSTRATION PROJECTS ABOVE--SOME MEMBER STATES HAVE RESERVATIONS ON THE AMOUNT OF FUNDS INVOLVED AND THE METHOD OF CARRYING OUT THE PROGRAM, THE MAIN OBSTACLE TO THIS PROJECT IS GERMAN RESERVATION ON SUPPORTING SUCH PROJECTS FROM THE COMMUNITY BUDGET.

(5) SUPPORT FOR JOINT HYDRO-CARBON EXPLORATION PROJECTS: THE COUNCIL IS TO CONSIDER A FRAMEWORK REGULATION AND AN IMPLEMENTING REGULATION TO PROVIDE ABOUT 17 MILLION UNITS OF ACCOUNT FOR COMMUNITY SUPPORT OF GEOPHYSICAL AND EXPLORATORY DRILLING ACTIVITY FOR HYDROCARBONS. THE UK, WHICH HAS ALREADY INDICATED THAT IT WOULD NOT ACCEPT SUCH EC FINANCING OF PROJECTS IN ITS OFFSHORE ECONOMIC ZONE, AND SOME OTHER DELEGATIONS HAVE DOUBTS REGARDING THE UTILITY OF THIS PROPOSAL WHICH THEY EXPECT SHOULD NORMALLY BE FINANCED BY THE COMPANIES DIRECTLY. GERMANY HAS AN OVERALL RESERVE ON THIS PROJECT AS WELL AS THE OTHER TWO PROPOSALS FOR FINANCIAL ASSISTANCE.

B. DRAFT COUNCIL RESOLUTION ON THE COMMUNITY ENERGY POLICY OBJECTIVES FOR 1985:

THERE IS GENERAL AGREEMENT BY ALL MEMBER STATES ON THIS RESOLUTION WITH THE EXCEPTION OF ITALY WHICH HAS LINKED APPROVAL TO THE COMMISSION'S REFINERY PROPOSAL. SOME MEMBER STATE OFFICIALS BELIEVE, HOWEVER, THAT ITALY MAY REMOVE ITS RESERVE IF APPROPRIATE LANGUAGE CAN BE FOUND WHICH WOULD PERMIT THIS RESOLUTION TO BE APPROVED ON MAY 30.

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C. NUCLEAR ENERGY QUESTIONS:

THERE WILL BE A GENERAL DISCUSSION BY THE ENERGY MINISTERS OF NUCLEAR ENERGY QUESTIONS. ALTHOUGH THE COMMISSION HAD HOPED THAT THIS DISCUSSION WOULD BE CENTERED

ON ITS THREE COMMUNICATIONS TO THE COUNCIL ON FAST BREEDER REACTORS, NUCLEAR REPROCESSING, AND NUCLEAR WASTE DISPOSAL, COREPER DECIDED ON MAY 18 THAT THESE PROPOSALS WERE NOT SUFFICIENTLY RIPE FOR FORMAL CONSIDERATION AT THE MAY 30 COUNCIL. IN THE MAY 30 COUNCIL IT IS EXPECTED THAT THE MINISTERS MAY COMMENT ON THESE THREE ASPECTS OF NUCLEAR ENERGY OR ANY PROBLEM OF INTEREST TO THEM, PARTICULARLY IN REGARD TO THEIR VIEWS AS TO THE EXTENT THAT NUCLEAR MATTERS FALL UNDER THE JURISDICTION OF THE COMMUNITY OR NATIONAL PROGRAMS.

D. REVIEW OF COMMUNITY AND WORLD ENERGY SITUATION: DURING HIS PRESENTATION ON THIS AGENDA ITEM WHICH THE UK INSISTED DURING ITS EC COUNCIL PRESIDENCY IN 1977 SHOULD BE INCLUDED IN ALL MEETINGS OF ENERGY COUNCILS, EC COMMISSIONER BRUNNER INTENDS TO INFORM THE MEMBER STATES AS TO POSSIBLE TREATMENT OF ENERGY ISSUES DURING THE BREMEN AND BONN SUMMITS LATER THIS YEAR.

E. OTHER BUSINESS:

UNDER "OTHER BUSINESS" BRUNNER PLANS TO PRESENT A COMMISSION PROPOSAL TO PROVIDE ASSISTANCE IN THE ENERGY AREA FOR DEVELOPING COUNTRIES AND TO NOTE THAT THIS SUBJECT MAY BE CONSIDERED AT THE JULY BONN SUMMIT. HINTON

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